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Colombia

Exporter Guide

Annual

2001

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Report Highlights:
This guide contains basic information useful to companies that are approaching the Colombian market for the first time. It can be considered our roadmap to the Colombian market for food and beverage products, with information on the retail and food service market structures, best prospects, import channels, and key players in the market.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Bogota [CO1], CO

Exporter's Guide to the Colombian Market For Food Products

Office of Agricultural Affairs
U.S. Embassy
Bogota, Colombia
September 2000

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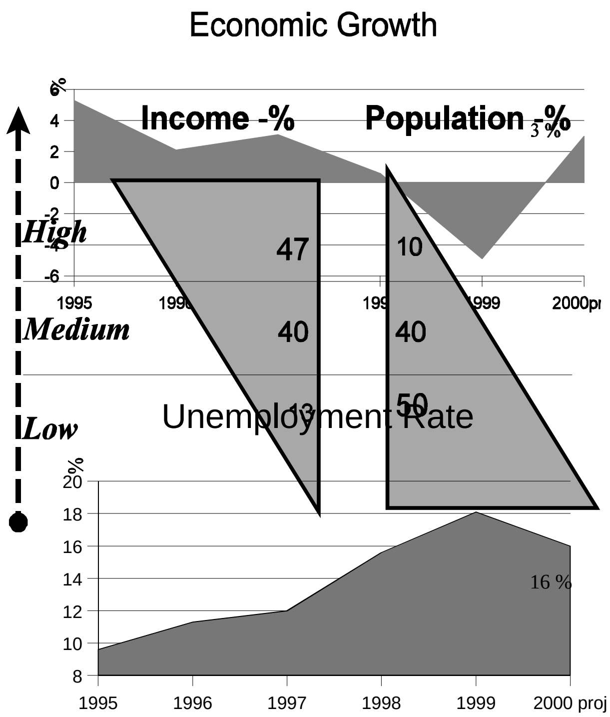
EXECUTIVE SUMMARY

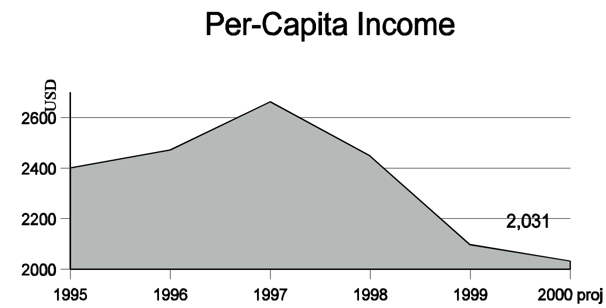
In 1999, total Colombian food and agricultural imports were $1.3 billion. The United States accounted for 42 percent of total imports valued at $541 million, making Colombia our largest export market in Latin America after Mexico. Demand for processed foods and other high-value food products has grown steadily during the 1990's and is recovering from a recession-induced downturn in 1999.

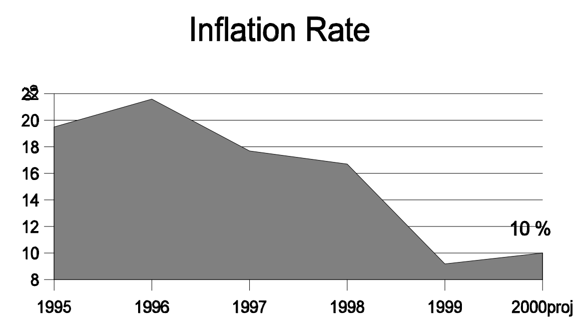
The food processing industry is one of the largest sectors of the Colombian economy, generating 3.8 percent of GDP and accounting for 29 percent of industrial production and 19 percent of industrial employment. The supermarket sector in Colombia is one of the most modern in Latin America, with sales of $8.5 billion in 1999, of which $5.2 billion was in food products. The hotel, restaurant and institutional sector is also important, generating 2.2 percent of GDP. It has great potential for growth driven by the tourism sector, but is seriously handicapped by the unstable internal situation in the country. Colombia is well endowed with human and natural resources and, should security improve, foreign investment and economic growth would be strong and growth in tourism, with its concomitant demand for imported products, would be exponential.

However the market is not without its challenges. The retail food market has undergone massive structural change in recent years, with domestic supermarket chains seeking strategic alliances with foreign partners in a frantic effort to capture market share. Economic realities and changes in consumer shopping habits and patterns are helping drive these changes. Supply channels have been streamlined rapidly and direct imports have increased dramatically. This makes it more challenging than ever for small to medium-sized exporters to get their products on supermarket shelves and restaurant plates. Also, as a member of the Andean Community, Colombia imposes a variable import duty system on 147 product areas, resulting in high and unpredictable duties. Also, restrictive import licensing and domestic procurement requirements hinder or block imports of a number of U.S. products, such as chicken parts, dairy products, and petfood. In your favor, however, is the fact that U.S. products are well regarded, because of their perceived good quality and value. Opportunities await quality U.S. products that are competitively priced and consistently supplied.

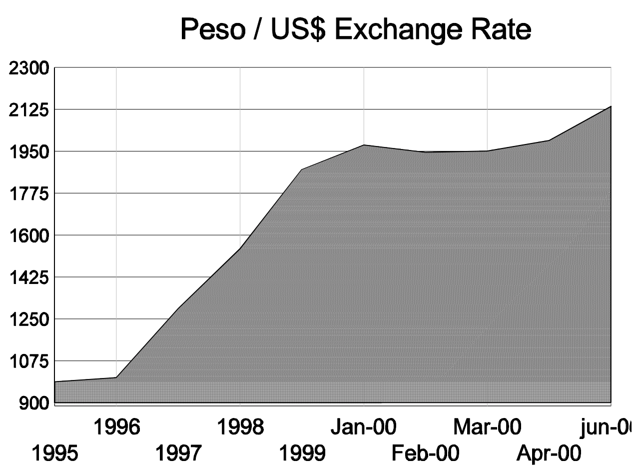
II. Economic Outlook







- **T** The Colombian economy suffered a severe recession in 1999, as did most of Latin America.
- **T** The Colombian peso was devalued by 22% in 1999, but has been relatively stable over the past six months.



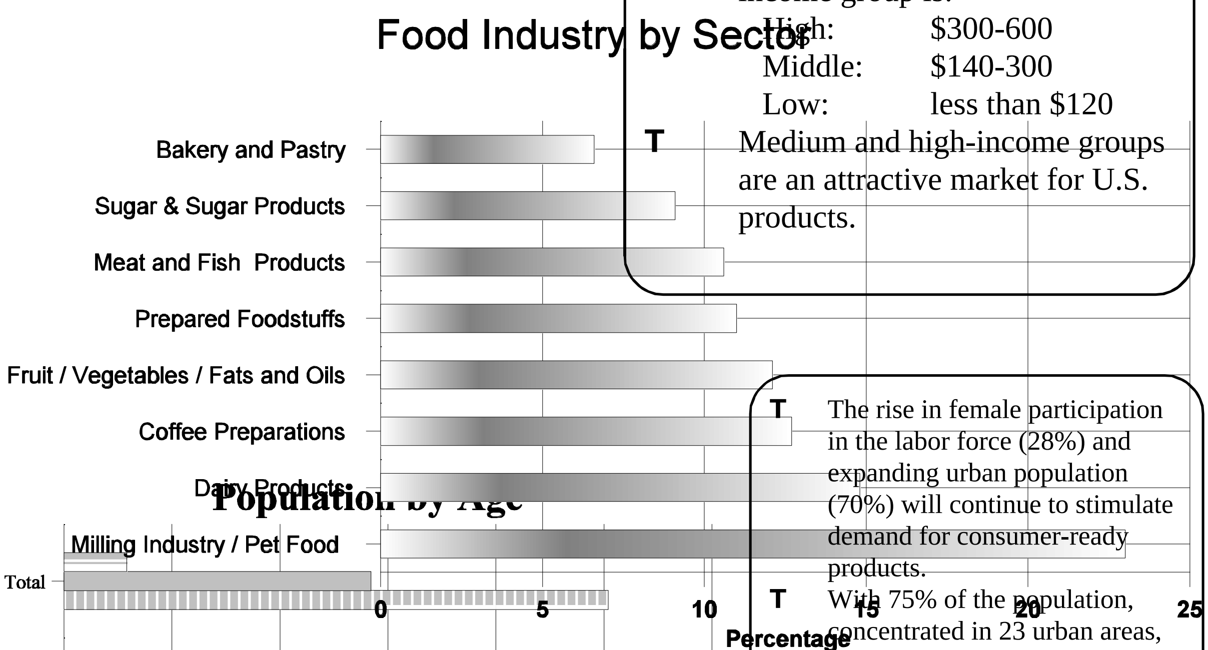
- **T** Year 2000 is showing clear signs of recovery. Domestic demand and household consumption are projected to increase by 4% and 6% in 2000.
- **T** Economic statistics for the first semester of 2000 reinforce these estimates: GDP growth 3.2%; inflation 9.7%; Industrial production 8.8%. However, unemployment hit a high of 20%.
- **T** The main constraint to continued economic recovery is social unrest and insecurity.

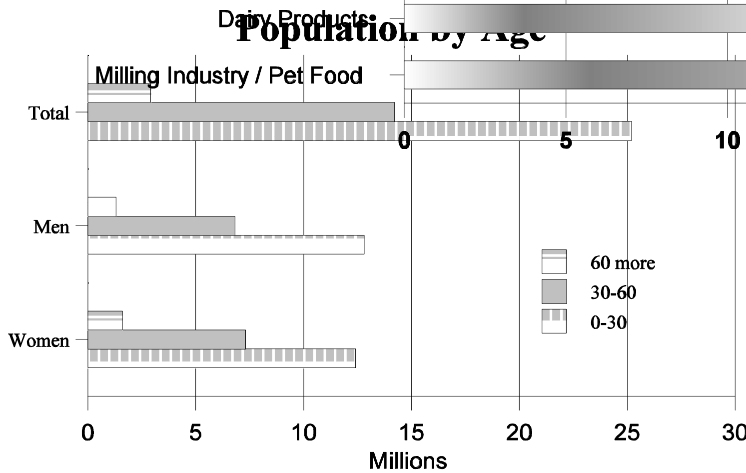
III. Market Overview

Income Distribution by Socio-Economic Groups

- **T** Colombia is a rising market of 41 million people and a key business gateway to Latin America.
- **T** Monthly food spending by income group is:
  - High: $300-600
  - Middle: $140-300
  - Low: less than $120
- **T** Medium and high-income groups are an attractive market for U.S. products.

Colombian Food Production





- **T** The rise in female participation in the labor force (28%) and expanding urban population (70%) will continue to stimulate demand for consumer-ready products.
- **T** With 75% of the population, concentrated in 23 urban areas, there is strong demand for consumer-ready food products and institutional food services in the education, medical, and recreation.
- **T** 60% of population is less than 30 years old. Lifestyles are changing rapidly.

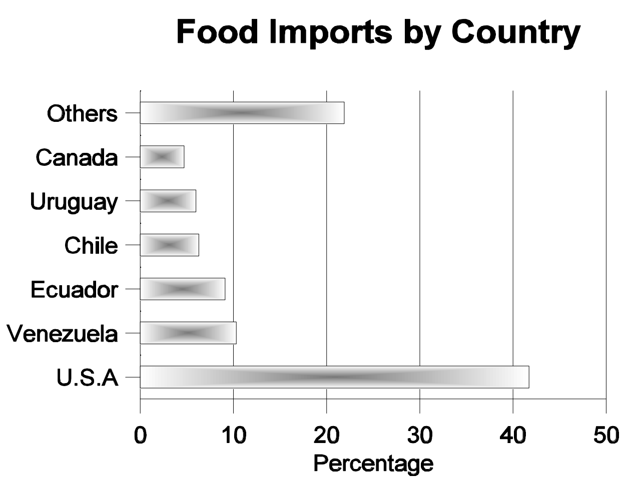
PERCENT OF MEN AND WOMEN IN THE WORKFORCE
7 MAIN CITIES

	1997	1998	1999
Men	72.7	73.2	73.0
Women	49.0	50.5	55.0
TOTAL	**59.9**	**61.0**	**63.3**

- **T** Colombia is a competitive producer of processed foo
- **T** Foreign food processing affiliates hold a large portio their brand products from affiliates abroad.
- **T** The food industry is one of the largest sectors of the
- **T** Total industrial output fell in 1999, dropping by 14.6
- T Industry has begun to rebound. Expectations are for

GDP BY ECONOMIC SECTORS (Constant 1994 prices)	1998 US$ Millions	1998/97 % Growth	1999(pr) US$ Million	1999/98 % Growth	2000(py)US$ Million	2000/99 % Growth
Meat and Fish	514	0.0%	511	-0.5%	527	2.9%
Animal/Vegetable Fats and Oils	202	-0.01%	201	-0.2%	207	2.6%
Dairy Products	305	-0.01%	304	-0.3%	312	2.7%
Milling Industry Products	565	-0.02%	562	-0.6%	579	3.0%
Sugar	346	-0.01%	345	-0.4%	355	2.8%
Processed Coffee	123	0.00%	123	-0.1%	126	2.5%
Cocoa, Chocolate and Confectionary	231	-0.01%	231	-0.2%	237	2.6%
Other Food products	402	-0.02%	400	-0.4%	412	2.8%
Beverages	1,017	-0.04%	1,007	-1.0%	1,042	3.5%
Total Food Industry	**3,706**	**-0.02%**	**3,685**	**-0.6%**	**3,795**	**3.0%**
Other Industrial Sectors	9,024	-0.66%	7,375	-18.3%	8,042	9.1%
Total Manufacturing Industry	**12,730**	**-0.48%**	**11,059**	**-13.1%**	**11,837**	**7.0%**

Source: DANE, FAS Projection



- Colombia is the largest market for U.S. food and agricultural products in Latin America after Mexico.
- In 1999, food and agricultural products were valued at $1.3 billion, equivalent to 12.9% of total imports.
- Colombia imported $541 million in food and agricultural products from the U.S. in 1999, of which $86.9 million in consumer- oriented products.
- Total import growth is forecast at 14% after the sharp drop in 1999 (-26%).
- Imports of food products account for 15% of national consumption.

Food And Agriculture Products Imported In 1999

PRODUCTS	US$ MILLION	MARKET SHARE %	GROWTH RATE 99/98
Consumer-Oriented Food Products **U.S.A.** Others	414.6 **86.9** 327.7	100.0 **21.0** 79.0	-23.9 **-15.2** -26.0
Beverages **U.S.A.** Others	28.6 **0.5** 28.1	100.0 **1.0** 99.0	-26.5 **-0.86** -21.3
Raw Materials and Intermediate Products for Agriculture and Animal Food **U. S.A.** Other	141.9 **73.5** 68.4	100.0 **52.0** 48.0	-0.09 **-22.6** 10.7

Other Raw Materials for Agriculture **U.S.A.** Others	29.3 **12.4** 17.0	100.0 **42.0** 58.0	-0.02 **-10.1** 4.2
Raw Materials and Intermediate Products for the Food Industry **U.S.A**. Other	567.7 **337.4** 230.3	100.0 **59.0** 41.0	-0.25 **-0.32** -0.12
Non-Food Agricultural Products **U.S.A.** Others	44.8 **31.7** 13.1	100.0 **71.0** 29.0	-12.5 **-0.16** -0.02
TOTAL **U.S.A.** Others	1.227.0 **541.2** 685.8	100.0 **43.5** 56.5	-0.22 **-0.27** -17.6

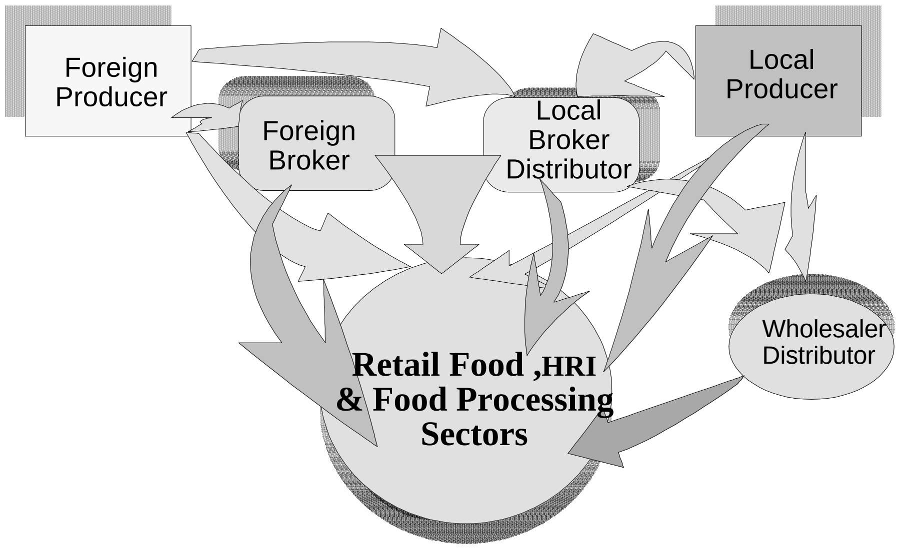
Source: DIAN (Revenue and Customs Agency).

1999 Food And Agricultural Imports From the U.S.

PRODUCT	**US$ MILLION**	**PRODUCT**	**US$ MILLION**
Meat and Edible Meat Offals	17.0	Vegetable Planting Materials	0.2
Fish, Shellfish, Molluscs	0.9	Animal or Vegetable Fats and Oils	71.8
Dairy Products, Eggs, Honey	4.4	Preparations of Meat and Fish	6.4
Products of Animal Origin	3.4	Sugars and Confectionery Products	5.4
Live Trees and Plants, Bulbs, Roots	3.4	Cocoa and Cocoa Preparations	1.5
Edible Vegetables and Tubers	13.8	Cereals Preparations, Flour, Starches Milk, Baker Wares	7.6
Edible Fruits and Nuts, Citrus Fruits	7.3	Preparations of Vegetables, Fruits	6.2
Coffee, Tea, and Spices	0.6	Miscellaneous Edible Preparations	11.2
Grains	269.5	Beverages, Spirits and Vinegar	1.5
Milling Industry Products, Malt, Starches	1.2	Residues and Waste from Food Industries /Prepared By-Products	73.8
Oilseeds, Other Grains	27.9	Tobacco and Tobacco Products	1.9
Lacs, Gums, Resins, Other Vegetable Saps/ Extracts	4.2	**TOTAL**	**$541.2**

Source: DIAN (Revenue and Customs Agency)

Market Entry Strategy



To enhance the competitive sales position of food products in Colombia and to introduce new products, U.S. companies should follow these general suggestions:

- Base your competitive position on the equation of high quality, price and efficient service to meet increasing foreign competition.
- U.S. suppliers should develop marketing strategies to meet the needs of the Colombian market. In some cases, consolidation of small orders into a large shipment could be the alternative.
- Suppliers to large stores, hotel chains and institutional markets must provide guarantees on consistent supplies of products.
- Intensify advertising, sampling and promotional campaigns to compete with the wide range of quality products available. After-sales service and customer support is a decisive purchasing factor in Colombia.
- Take advantage of concession contracts offered by department stores and supermarkets to individuals and companies for the promotion and sale of products, both new or known labels.
- Develop a relationship with top executives, i.e., marketing directors, purchasing managers, and expose them to U.S. business practices. Take advantage of domestic food fairs and exhibitions.
- Develop Spanish-language marketing/communication material that highlight products and services available. Communication media have a great impact on Colombian consumers.

ADVANTAGES
The Colombian food market is dynamic and efficient. Demand in Colombia for processed foods and other high-value food products has grown over the past few years.
The U.S. continues to be the number-one trading partner of Colombia. U.S. total imports account for 42% ($541 million) of food and agricultural imports.
Locally established multinational firms are taking advantage of their brand names to position new imported products.
Most popular U.S. made products are well regarded by Colombian consumers, because they are perceived as being of good quality and good nutritional value. Many Colombians have traveled and studied abroad and have developed a taste for U.S. products.
Alliances and mergers with foreign companies are broadening the scope of the food business.
Preshipment inspection has been eliminated.
The young population (60% under 30) has been stimulating the expansion of fast food restaurants. The deli business is one of the faster growing segments.
Middle-income families are developing a taste for new and more sophisticated products.
Changing lifestyles and the rise in female participation in the labor force (28%) will continue to stimulate demand for value-added food products.

U.S. food shows are excellent opportunities to introduce new products and set up personal relationships. Meet customers and personally address their technical needs and requirements.
The Colombian business community's knowledge of and confidence in U.S. business practices and the geographical proximity helps reduce costs, such as training trips and equipment transportation.
Supply channels have been streamlined. End-users increasingly are establishing direct contacts abroad, for sourcing new products and services .

CHALLENGES
Consumption of processed food is low, according to international standards, and highly prices sensitive.
Importers demand competitive prices, consistent quality, and consistent supply availabilities.
Competition has intensified. Food products from countries around the world are found on the shelves of Colombian stores, and Colombian companies and foreign affiliates are launching a variety of new, frozen and ready-to-eat products.
Franchising is an excellent opportunity for fast food restaurants. Investment and foreign trade are the key to economic development in the years to come.
Procurement Law 80 regulates purchases and contracts by the Colombian government and state industrial and commercial enterprises. Given equal contracting conditions, the offer of goods and services of domestic origin are given preference. All official entities and decentralized industrial and commercial organizations are encouraged to "buy Colombian".
For sales to the government, either directly or through international tenders, foreign bidders must have legal representation in Colombia, register with a Colombian chamber of commerce under the so-called "Registro Unico de Proponentes" (Bidders Register), be preclassified and prequalified by the chamber and, in some cases, by the Colombian government contracting agency.

Absorption agreements to protect domestic production are another limiting factor for some U.S. products. Chicken, turkey and duck are subject to such restrictive measures.
Some Colombian trade agreements with U.S. competitors make several U.S. products less competitive, e.g., zero import duties on wine and apples from Chile, and wheat from Brazil.
The import process has too many layers. Paperwork can become a burden.
U.S. suppliers should intensify market advertising, promotional campaigns and sampling to compete with the wide range of quality products available in the market. After-sales service and customer support is a decisive purchasing factor in Colombia.
U.S. suppliers should encourage buyers to tour suppliers/producers facilities and have business representatives tour their plants.
Despite government efforts, artificially low-priced contraband products still produce a climate of unfair competition and disrupt sales of legally imported products.

IV. Exporters Guide

Import Licensing

Colombia applies a restrictive, discretionary licensing system to imports. Import licenses for selected products are rejected, whenever authorities determine that they are harmful to domestic production. Import licenses are approved by the General Directorate of Foreign Trade of the Ministry of Foreign Trade (MFT). Around 4,500 (66%) of the products in the Colombia's Harmonized Tariff Schedule must be registered (Registro de Importacion) at the MFT.

- T ***Free Imports*** ("libre importacion"): In theory, imports of products under this category are not restricted. However, some agricultural products in this category are subject to Ministry of Agriculture approval ("visto bueno").
- T ***Previous License*** ("licencia previa"): Import license requests for products falling into this category must be approved by the Import Committee (Comite de Importaciones) at MFT. Approval of these licenses depends upon domestic market and production conditions, as determined by the members of the Import Committee and their advisors.
- T ***Prohibited Importation*** ("Prohibida Importacion): Imports of products under this category are prohibited. No agricultural products fall into this category.
- T

Tariff Rates

The weighted average of Colombian tariffs fluctuates between 11 and 13.5 percent. However, the Andean Commumity variable levy system creates exorbitant duties for 147 product areas. In general, importations are classified in either of the following four categories:

For food and agricultural products imported from non-Andean Community countries duties are 5, 10, 15, and 20 percent of their CIF value (ad valorem), depending on the degree of processing of the product and its domestic need. These rates are in line with the Andean Community regulations:

- Five percent is assessed on raw materials, intermediate and capital goods.
- Ten and fifteen percent assessed on goods in the previous category but with domestic production.
- Twenty percent is assessed on finished consumer goods.
- Variable import duty under the **Andean Community Price Band Mechanism** currently vary from 20 to 157 percent and is levied on a wide range of agricultural products.
- Colombia, as a member of the Andean Community (Colombia, Venezuela, Ecuador, Peru, Bolivia), grants duty free treatment to agricultural products imported from those countries. The Community has a third country tariff rate schedule known as the Common External Tariff.
- Colombia also has preferential bilateral trade agreements with Chile and Mexico and has signed multilateral trade agreements with the G-3 (Colombia-Mexico-Venezuela), Latin American Integration Association (LAIA), among others.

Value-Added Tax (VAT)

- In January 2001, the VAT was increased one point to 16 percent.
- Most imports are subject to the VAT tax.
- VAT is assessed on the CIF value, plus import duties.
- The GOC extended the VAT to imports of several agricultural products, including some feed ingredients, such as soybean meal and soybean oil. The VAT stands at 16 percent of CIF if import value for soybean meal and 10 percent for soybean oil.
- Imports of feed grains are levied a VAT of 2.4 to 2.9 percent.

Sanitary and Phytosanitary Measures

- **Product requiring registration and approval by the National Institute for the Surveillance of Food and Medicines (INVIMA), which is part of the Ministry of Health (decree 3075/97)**:
  - All processed retail food items, including products imported in bulk for repackaging for retail use without further processing.
- **Product not requiring registration and approval by the National Institute for the Surveillance of Food and Medicines (INVIMA)**
  - Food products sold to restaurants, institutions, or to processors.
  - Non-transformed products, such as fresh or frozen produce and meat. A transformed product is defined as having been subjected to processing that resulted in a change in its internal structure.
- **Product requiring sanitary permit from the Ministry of Agriculture's Colombian Agricultural Institute (ICA)**
  - Non-transformed products, such as fresh or frozen produce and meat.
  - Animal products, vegetables, fruits, and grains. This permit details the phytosanitary import requirements for these products.
  - Agricultural commodities that require MOA approval for import licenses include wheat, poultry meat, malting barley, corn, rice, sorghum, wheat flour, oilseeds and their products (soybeans, soybean meal and soybean oil).
- Private importers are more likely to have their import licenses approved, if they are deemed to be in compliance with domestic absorption agreements. Imports from countries with trade agreements with Colombia are not subject to MOA approval. This includes the Andean Community countries (Venezuela, Ecuador, Bolivia and Peru), along with Mexico and Chile
- First step is to obtain the import permit from ICA.
- Second step is the import license from Ministry of Foreign Trade.
- The Colombian importer provides to the U.S. exporter the ICA import permit for submission to the USDA. USDA will issue a phytosanitary certificate referencing the requirements in ICA's import permit.

Import Declaration

- The Import Declaration must be presented to the National Customs and Taxes Directorate. It contains the same information as the import registration.
- It must be submitted within 15 days prior to the arrival of the merchandise in the Colombian port or up to 2 months after the arrival of the merchandise.
- Delivery of merchandise requires the import declaration approval and import duty payment.
- After-clearance random inspection by Customs officials is performed to avoid fraud and tax evasion.

Import Documentation

Colombian importers must follow seven basic steps to carry out an ordinary import into Colombia:

1) Where required, obtain sanitary permit for products from the Ministry of Agriculture's Colombian Agricultural Institute (ICA). Sanitary registration is required for both locally manufactured and imported products. Obtain import permits for products requiring registration and approval by the National Institute for the Surveillance of Food and Medicines (INVIMA), which is part of the Ministry of Health (decree 3075/97).
2) Buy and fill out the Import Registration form. File the Import Registration form with the Colombian Ministry of Foreign Trade (MFT).
3) Obtain approval from MFT for the Import Registration Form or Import License (in the few cases when this is required).
4) Make arrangements with a financial entity for payment of the importation.
5) Ask the exporter to ship goods to a Colombian port.
6) Request the Cargo Manifest from the transportation firm.
7) Make arrangements, with their Customs Broker to receive the merchandise and get it out of Customs. The following are the major steps to be followed:

- Fill out the "Andean Customs Value Declaration" (Declaracion Andina de Valor en Aduana), when the importation value is more than US $5,000.
- Fill out the "Import Declaration" (Declaracion de Importacion).
  - Go to an authorized financial entity and pay the import duties
  - Present all documents to Customs
  - Customs review the merchandise, when they consider it necessary, and authorize withdrawal of goods.

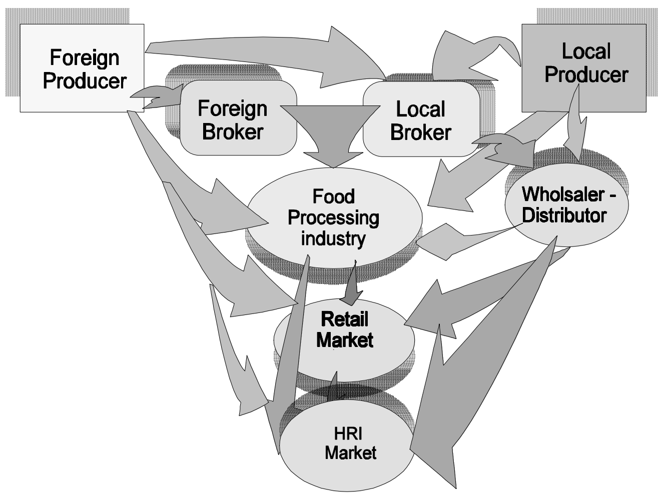
The importer must keep import documents for a period of not less than five (5) years.

Pricing Products

- Import duties are quoted ad-valorem on the CIF value of shipments. Retail prices of consumer-oriented imported products are generally 60 to 100 percent above FOB prices.
- Freight and insurance costs are 10 to 15 percent.
- CIF import duty usually twenty percent. Products subject to variable import duties can go up to 155 percent.
- The value-added tax (IVA) is 16 percent, assessed on the CIF + duty value of imports.
- Other factors affecting import and retail prices costs are peso devaluation, inflation, and financing.
- Local manufacturers usually work with a markup varying from 15 to 35 percent and wholesalers 15 to 25 percent.
- Profit margins for consumer goods may reach 40 percent.

Distribution and Sales Channels

- T Colombia food industry ranges from state-of-the-art processing food companies to all types of retail outlets, including sophisticated hypermarkets, supermarkets chain stores, department stores, specialty stores, wet markets, and cooperatives to street vendors and truckers who engage in door-to-door peddling..
- T Radio and TV sales, as well as Internet e-commerce sales are becoming more popular.
- T Direct marketing through credit card promotions, flyers, polls, and sales calls to either home or office sites are also popular, including home delivery services. Chain stores and large distributors have their own catalogs for phone, mail orders, and internet purchases, which can be paid for by cash, check, or credit cards.



Joint Ventures/Licensing

- T Joint ventures and licensing agreements are increasing in importance to improve competitiveness.
- T Foreign investment legislation has been adjusted to foster joint ventures, franchising and other forms of investment.

Labeling and Marking Requirements

- T Specific marks or labels are required for food products.
- T Labels on processed food products must indicate the specific name of the product, ingredients in order of predominance, the name and address of manufacturer and importer, the number of units, instructions for storage and usage (when required), an expiration date, and other instructions, as required by the Ministry of Health or the Industry and Commerce Superintendency.
- T Labels and illustrations cannot be inaccurate or misleading.

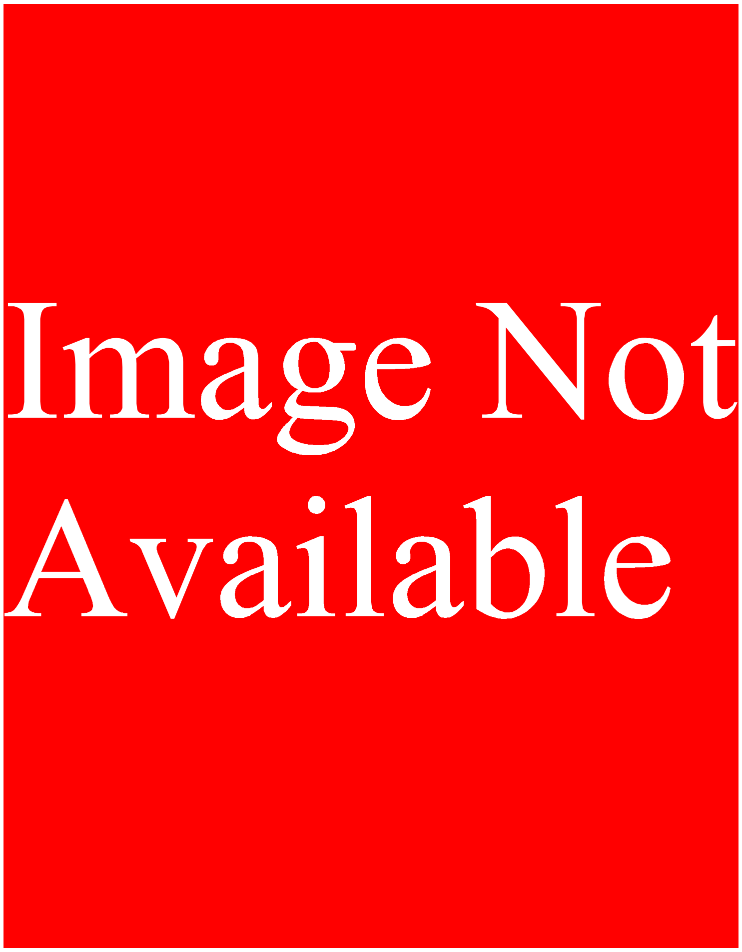
Agents/Sales Representative

As a general rule, it is advisable to appoint a local agent or sales representative to help with import procedures, sales promotion and after-sales service. However, Colombians prefer to deal directly with manufacturers or through their export divisions, rather than through outside representatives.

Importer And Distributors

- The United States traditionally has been Colombia's main trading partner. Colombia is considered a natural market for U.S. products and technology, because of its proximity.
- The bulk of purchases from the U.S. are made through well-established local importers and distributors.
- Importers offered a full line of products to meet and create market needs. However, declining demand in 1999 forced reduction in stocks and the number of products carried.
- Competition in the food market has intensified and supply channels have been streamlined. Large numbers of end-users are purchasing directly from suppliers and/or manufacturers abroad, avoiding local representatives.
- Major Colombian distributors and wholesalers are opening purchasing offices and warehouses in Florida.
- Colombian businesses increasingly are establishing direct contacts abroad to find new products and services.
- Suppliers to large store and hotel chains and, institutional markets must provide guarantees on the consistent supply of products.

COLOMBIA - MAIN PORTS AND CITIES



T Colombia is located in the northwest corner of South America and has both Atlantic and Pacific coasts.

T It has a strategic location which makes it a commercial bridge into South America for North America, Europe and Asia.

T Colombia has four seaports with containers facilities. Three on the Atlantic Coast, Barranquilla, Cartagena and Santa Marta, and one on the Pacific Coast, Buenaventura.

Top 30 Colombian Importers and Distributors of Processed Food

Importer	Products	From U.S. US$ Million	Total US$ Million
Lloreda S.A.	Bovine animal fats, edible mixtures of animal fats/oils of fish, soybean crude oil	9,9	20.1
Nacional de Chocolates	Tuna,penauts, almonds, soups, broths, cocoa, lactose/whey, cereals	0,7	18,7
Nestle of Colombia	Poultry fat, condensed milk, lactose/whey, tomato sauce, bakery products, biscuits, cacao preparations, cereals	3	15,4
Solarte Solarte Vicente	Wheat, bakery prouducts	6,2	12,4
Agribrands-Purina	Sunflower seeds, soybean oilcakes, dog/cat food, fish meal	11,3	13,3
Nabisco	Nuts, peanuts, biscuits, wafers/waffles, mucilages and thickeners	2,1	10,4
Molinos El Lobo	Wheat, bakery products	5,1	8,7
Fruticola Comercial Panamericana	Fresh apples, plums, kiwis, cherries, garlic	2,2	8,6
Industrias Almenticias Noel	Bacon, frozen swine/bovine meat, poultry, malt extract, soy sauce, salad dressings	6,7	8,3
Vigomez	Fresh apples, pears, grapes, kiwis	0,6	8,3
Productos del Maiz	Yellow/white corn, sugars, dextrose, glucose	7,7	7,7
Distribuidora Colombina	Tuna, other preserved/prepared fish	0	7,4
Cicolac	Powder milk, lactose/whey, lactose, food preparations	0	7,2
Unilever Andina	Bovine fats, coconut and soybean oil, cereal flours, tomato sauce	3,7	6,2
Disa-Best Foods	Tomatoes, vegetables, cumin, bacon, pepper, mustard, bakery products, hydroyzes	1,1	5,2
Jose & Gerardo Zuluaga	Fresh garlic, dried chickpeas, fats and oils, cumin, prepared/preserved fish, canary seeds	1,7	4,8
Laboratorios Wyeth	Powdered/modified milk, lactose/whey, sugar, protein concentrates	3,5	3,7
Productos Quaker	Prepared foods of cereal, cereals in grain, maple sugar, oats and corn	1,4	3,5
Bavaria	Hop cones of lupulin, pastes of fruits, apple juice	2,7	3
Rica Rondo	Frozen pork, edible swine offals, other edible pork	2,8	2,8
Levapan	Dried coconut, mixes and doughs, salad dressings	0,5	2,2
Frigorifico Suizo	Frozen pork, pig/poultry fats, edible offals	2,2	2,2
Zarama Clarkson Ltda	Pork, edible livers/mixtures of meat, duck/goose meat, pig and poultry fats	1,3	2,1
Mckey Colombia, S.A.	Natural honey, hams, potatoes, salad dressings, mustard, food preparations	0,2	2,1
Colombinak S.A.	Wheats, powdered milk, lactose/whey, bovine fats	1,2	1,9
Colanta	Juice mixture, grapefruit, flour/pellets of alfalfa	0,8	1,7
Quala, S.A.	Dried onions, ice cream flour, yeast, animal fats	0,9	1,5
Provisiones y Servicios del Atlantico	Duck, goose, beef, cheeses, sweet corn, mixes and doughs, condiments, salad dressings	1,1	1,5
Cadenalco	Cereals, bakery products, pastas, tomato sauce, mayonnaise sauce, flour/starches	0,4	1,3

Savoy Brands	Peanuts, condiments and mixes, food preparations	0,8	1,1
Monsanto Colombiana	Food preparations, grain sorghum	0,1	1,1
Carlos E. Londono	Cuts and offals of chicken/poultry, animals intestines, beet sugar	0,1	0,1
Alpina	Processed/fresh cheese, cocoa powder, bovine fats, other food preparations	0,7	0,1
Meals of Colombia	Orange juice, sweet corn, pastas, legumines	0,6	0,7
Frigorifico de la Costa	Fruit preparations, olives, palm hearts, capers, prunes, edible mixtures of bovine meat	2,6	0,6
Pillsbury of Colombia	Sweet corn, ice cream, bakery products, vegetables	0,5	0,5
La Sabana	Smoked salmon, prepared meals, beef	0,2	0,3
FEDCO	Pistachios, frozen bread/pastry, mayonnaise	0,1	0,2
International Food Service Group	Frozen/prepared beef, turkey, cheese, salad dressings, juices, spices, oil	0,2	0,3
Global Traders	Chewing gum, condiments, sweet corn, spices	0,1	0,1
Antillana, S.A.	Frozen sea crabs, salmon, fish fillets	0,1	12

Standards

- ICONTEC (Colombian Institute of Technical Standards and Certification), accredited by the Industry and Commerce Superintendency (SIC) as a certification entity, is responsible for the development of technical standards.
- ICONTEC is a member of the International Standards Organization (ISO). ICONTEC has certified 246 companies under ISO 9000, 28 under QS 9000, and has awarded seals of quality standards conformity to 93 firms.
- Other recognized Colombian certification entities include Corporacion Colombia Internacional (fruits, vegetables, and other food products) and S.G.S. Colombia (quality assurance systems).
- There are 37 testing and 15 metrology (calibration) laboratories accredited by the Industry and Commerce Superintendency operating in public and private institutions, and one accredited inspection entity to evaluate organic agricultural products, Centro Internacional de Agricultura Organica - CIAO
- In 1996, ICONTEC received recognition from the German Association for Accreditation (TGA) to carry out ISO 9000 quality management certification.
- In July 1998, the Institute was accredited to certify firms under the ISO 14000 environmental management system (EMS) and has certified two Colombian firms under ISO 14001

V. Market Structure and Sub-Sector Profile

A. Processing Food Industry

The processed food industry is one of the largest sectors of the Colombian economy, generating 3.8% of GDP and accounting for 29% of industrial production and 19% of industrial employment. Colombian demand for processed foods and other high-value food products has grown steadily during the period 1990-98 and is recovering from a decline, in real terms, of 0.6 percent experienced in 1999. Food production is projected to increase by 3 percent in the year 2000.

- T Imports play an increasingly important role in meeting consumer demand for food products.
- T Food imports declined in 1999, as result of a severe economic recession, but the outlook is promising. Imports increased by 6.8 percent during the first semester 2000.
- T Colombia is a strong producer of processed food products. Main processing companies, such as Colombina, Alpina, and Levapan, have the state-of the-art technology and successfully compete internationally.
- T Foreign food processing affiliates hold a large portion of domestic processed food. Some of them have a number of their brand lines produced by affiliates abroad.
- T Specific products showing stable sales growth during this period were: fresh/frozen chicken, turkey and pork, poultry and beef offals, mechanically deboned chicken meat, cheese, hatching and table eggs, fresh fruits, breakfast cereals, wine and beer, and assorted snack foods. Feed grains represent the bulk of grains imports. Almost all corn imports are directed to the feed industry, mostly for poultry. The United States is the dominant supplier.
- T Food processing industries rely heavily on imported inputs, such as thickeners, preservatives, modifiers, flavorings, dry mixes for sauces, and spices.

B. HRI Food Service Sector

The Colombian HRI Food Service sector has a great potential for growth. Tourism could become one of the leading sectors of the economy, if internal stability were to improve. Colombia is well endowed with human and natural resources and, should security improve, foreign investment and economic growth would be strong and growth in tourism, with its concomitant demand for imported products, would be exponential.

- The HRI market sales in Colombia are estimated at $2 to 3 billion. Hotels and restaurants are driving the sector`s growth.
- The HRI industry accounts for 2.2 percent of GDP ($2 billion) and is expected to grow by 5.1 percent in the year 2000.
- The institutional market is a sector with significant demand for food products. At present, however, it is not significant market for imported products.
- Fast food restaurants are the best prospects in the franchising sector.
- Colombians consider franchises good business opportunities. There are about 75 Colombian and foreign franchising companies in the country - 60 percent from the United States.

C. The Retail Food Market Sector

The supermarket sector in Colombia is one of the most modern in Latin America. It has undergone massive structural change in recent years, with domestic supermarkets chains seeking strategic alliances with international partners in a frantic effort to modernize and capture market share.

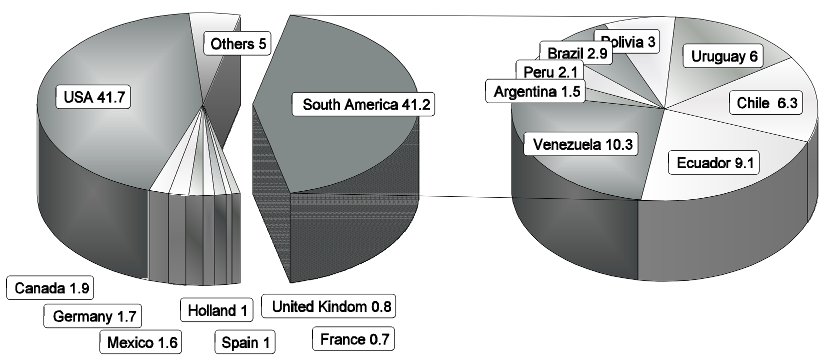
- Supemarket sales were around $8.5 billion in 1999, of which $5.2 billion was in food products.
- World-class hypermarkets, such as Makro and Carrefour, made their incursions in the country in 1998 and continue to expand.
- Supermarkets are prospering. There are 12 main supermarket chains with a total of around 1,200 stores.
- Covenience stores have begun to spread in the form of gasmarts.
- All types of foreign products are found in hypermarkets, supermarkets and specialty stores.
- Food industry representatives feel there is a significant potential for new products in almost all food products categories.

VI. Competition, Consumer- Ready Food

Colombia is a strong competitor in the production of:

Product	Company
Dairy products	Alpina, Colanta, Parmalat, Purace
Breakfast cereals	Kellog´s, Nestle, Quaker
Snacks	Frito Lay, Savoy Brands, Margarita, Yupi
Baked foods	Levapan, Bimbo
Confectionary	Colombina, Noel, Warner Lambert
Oils and margarines	Unilever, Lloreda, Acegrasas, Gravetal
Dry mixes for sauces, mayonnaise, ketchup, mustard, jellies, condiments.	Best Food, California, La Constancia, El Rey
Poultry feed and pet food	Purina, Finca, Contegral

USA Competitors
Percentage



- Colombia grants preferential treatment to imports products from fellow members of the Andean Community. Also, bilateral agreements provide preferential import duties to countries, such as Chile and Mexico
- Private labels are becoming very important. Company brands are included in nearly 30% of food product categories sold in supermarkets.
- U.S. products are relatively expensive compared to domestic products.
- Some fast food chains bring their inputs directly from the U.S. to meet the production standards defined under franchising agreements.
- Be aware that profit margins are being squeezed by the current price war, the strong negotiating and purhasing power of supermarket, the reduction in intermediaries, and to some extent artificially low-priced contraband.

VII. Best Products Prospects:

- Colombia is an important market for value-added food products.
- Imports play an increasingly important role in meeting consumer demand.
- Surveyed retailers and producers feel there is significant potential for new products in almost all food categories.
- Healthy and ethnic food categories are especially new and fast growing.

There is significant space for new alternatives in ...

Ready-to-Eat *And* Pre-Cooked

Basic Ingredients

Meat
Chicken
Turkey
Salmon
Ham
Sausages
Whitefish

Canned fruits/vegetables
Off-season fresh fruits
Spices
Vegetable oils
Cereals
Pasta
Juices
Cheese
Bakery
Salad dressings
Dry mix sauces
Vinegars

Healthy food
Dietetic products

Business Customs

- T Colombia has a very sophisticated and highly developed private sector.
- T Colombian businessmen have good knowledge of business pactices abroad. A large number of them have been educated overseas, specially in the United States.
- T They share similar business practice and ethics with U.S. entrepreneurs.
- T Colombians tend to be friendly, straightforward and direct in doing business.
- T Consequently, despite Colombia's political and social problems, knowledgable U.S. companies have been doing business sucessfully in Colombia for years.

Travel Warning and Visas

- T Business visas are valid for up to three years, can be renewed, and can be used for multiple entries into Colombia for stays of up to six months per visit.
- T Although business travelers may enter Colombia on a tourist visa, businessmen traveling under a tourist visa should not sign contracts, because they may be considered invalid and/or non-binding.
- T U.S. business travelers can obtain copies of the travel warning and other up-to-date travel information and publications such as "Tips for Travelers to Central and South America", via the Internet at http://www.access.gpo.gov/su docs; or via the Bureau of Consular Affairs Home Page at http://www.travel.state.gov

VII. Related Reports

Report No.	Report Name	Date
CO0023	Food and Agricultural Import Regulations and Standards	7/13/00
CO0013	Agricultural Trade Policy Monitoring Report	4/13/00
CO0011	Sugar Annual Report	4/10/00
CO0003	Oilseeds and Products Annual Report	2/12/00
CO0029	Dairy Annual Report	10/23/00
CO0027	Poultry Annual Report	8/18/00
CO0018	Coffee Annual Report	5/15/00
CO8028	ALIMENTOS 98 Food Show	9/29/98

For further information, visit the FAS home page at **http://www.fas.usda.gov.**

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